

9. What costs should be included in the amount to be capitalized?

- ☐ Service contracts
- ☐ Installation labor costs
- ☐ Software
- ☐ Renovation costs to install asset
- ☐ Cost of warranty protection
- ☐ Other (please list) _____

10. What level of administrative and general (overhead) costs should be capitalized?

- ☐ Officer salaries
- ☐ Supervisory (indirect)
- ☐ Supervisory (direct)
- ☐ Accounting
- ☐ Other (please list) _____

11. Please provide additional comments or cost estimates that may be useful in developing thresholds for the capitalization of assets for regulated utilities.

ATTACHMENT B
SURVEY RESULTS

1. Does your Commission prescribe a dollar threshold for capitalization of assets? Describe the asset accounts or subaccounts to which the thresholds apply.

State	Threshold	Description
Electric		
Arizona	None	
Colorado	None	Use prescribed USOA, Rule 25
Connecticut	None	
Delaware	None	Not usually, but sometimes on a case-by-case basis
District of Columbia	None	
Georgia	None	FERC Part 101
Hawaii	None	
Illinois	None	
Iowa	None	
Louisiana	None	
Maryland	None	
Montana	None	
Nevada	None	
New Jersey	None	
New Mexico	None	
N. Carolina	None	
Pennsylvania	None	
S. Dakota	None	
Tennessee	None	
Utah	None	
Vermont	None	
Virginia	None	
Washington	None	
Florida	\$500	Each principal item of office furniture, stores, tools, lab, power operated, communications equipment
	\$10,000	Replacement of portion of retirement unit of structures
Indiana	\$200	Certain equipment
Oklahoma	ICB	Threshold not set by the Commission. Evaluated on an individual case basis
Wisconsin	\$500	

1. (Continued)

RESPONDENT	THRESHOLD	REMARKS
Gas		
Arizona	None	
Colorado	None	Use prescribed USOA, Rule 25
Connecticut	None	
Delaware	None	Not usually, but sometimes on a case-by-case basis
District of Columbia	None	
Georgia	None	FERC Part 201 for natural gas companies
Hawaii	None	
Illinois	None	
Iowa	None	
Louisiana	None	
Maryland	None	
Montana	None	
Nevada	None	
New Jersey	None	
New Mexico	None	
N. Carolina	None	
Pennsylvania	None	
S. Dakota	None	
Tennessee	None	
Utah	None	
Vermont	None	
Virginia	None	
Washington	None	
Florida	\$500	Replacement of each principal item of general and city gate M&R equipment, other property on customer premises, furniture, and computers
	\$10,000	Replacement of portion of retirement unit of structures
Indiana	\$500	Certain equipment
Oklahoma	ICB	Threshold not set by the Commission. Evaluated on an individual case basis
Wisconsin	\$500	

1. (Continued)

RESPONDENT	THRESHOLD	EXEMPTIONS
Telecommunications		
Arizona	None	
Colorado	None	Use prescribed USOA, Rule 25
Connecticut	None	
Delaware	None	Not usually, but sometimes on a case-by-case basis
District of Columbia	None	FCC USOA Part 32 applies
Georgia	None	FCC USOA Part 32 for support assets applies
Hawaii	None	
Illinois	None	
Indiana	None	Certain equipment
Iowa	None	
Louisiana	None	
Maryland	None	
Montana	None	
Nebraska	None	FCC USOA Part 32 applies
Nevada	None	Follow FCC guidelines
New Jersey	None	FCC threshold applies
New Mexico	None	
N. Carolina	None	
Pennsylvania	None	FCC USOA Part 32 applies
S. Dakota	None	
Tennessee	None	FCC USOA Part 32 applies. Generally all, but not limited to, plant items listed in RAO #6 & company identified retirement units required by RAO #10. Exempt materials are excluded
Utah	None	
Vermont	None	
Virginia	None	FCC USOA Part 32. Motor vehicles, aircraft, special purp. vehicles, garage work and other equipment, furniture, office equipment, and general purpose computers (not software)
Washington	None	Same as above
Wisconsin	None	FCC accounts 2116, 2122, 2123, and 2124
Florida	\$500	Each principal item of garage and power operated equip., furniture, office equip, company communications equipment, and general purpose computers
	\$10,000	Replacement of portion of retirement unit of structures
Oklahoma	ICB	Threshold not set by the Commission. Evaluated on an individual case basis

1. (Continued)

State/Service	Threshold	Comments
Water and Wastewater		
Alisal Water Corp.- A Calif. Corp.	None	California does not prescribe a dollar threshold for asset capitalization. (Alisal does business as Alco Water Service)
Arizona	None	
Colorado	None	Use prescribed USOA, Rule 25
Connecticut	None	
Delaware	None	Not usually, but sometimes on a case-by-case basis
Hawaii	None	
Illinois	None	
Iowa	None	
Louisiana	None	
Maryland	None	
Montana	None	
Nevada	None	
New Jersey	None	
New Mexico	None	
N. Carolina	None	
Pennsylvania	None	Case-by-case basis for 100-Utility Plant, 241-Customer Adv. for Construction, and 265-CIAC
Tennessee	None	
Utah	None	
Vermont	None	
Virginia	None	
Indiana	\$100	Hand and portable tools
Oklahoma	ICB	Threshold not set by the Commission. Evaluated on an individual case basis
Washington	\$100	Hand tools & other work tools
Wisconsin	\$200	General plant and equipment
Other		
N. J.-Cable TV	None	FCC rules apply
Wash.-Solid Waste	\$500	All equipment except customer-used toters

2. If companies set their own thresholds for capitalization of assets, do you ever question the reasonableness of those thresholds? If so, what guidelines do you use?

State	Yes	Guidelines
Electric		
Arizona	Yes	Materiality, reasonableness, size of the firm
Colorado	Yes	USOA
Delaware	Yes	Reasonableness check against industry standards
Georgia	Yes	Case-by-case basis
Hawaii	Yes	If the capital structure is not reasonable for ratemaking purposes or if the utility is a division of a larger company, the capital structure would be adjusted
Louisiana	Yes	Reasonableness check
Maryland	Yes	Dollar amount, usefulness, betterment of current in-place asset
Nevada	Yes	Materiality
New Jersey	Yes	Generally Accepted Accounting Principles
N. Carolina	Yes	1. The similarity of the cost to a plant asset; 2. the absolute and relative magnitude of the cost; and 3. whether the circumstances surrounding the occurrence of the cost are unusual or routine
S. Dakota	Yes	Case-by-case basis
Virginia	Yes	Materiality and type of work involved
Washington	Yes	Has not been an issue often
Connecticut	No	
District of Columbia	No	
Illinois	No	
Iowa	No	
Montana	No	
Tennessee	No	
Utah	No	
Vermont	No	

2. (Continued)

RESPONDENT	YES/NO	REMARKS
Gas		
Arizona	Yes	Materiality, reasonableness, size of the firm
Colorado	Yes	USOA
Delaware	Yes	Reasonableness check against industry standards
Georgia	Yes	Case-by-case basis
Hawaii	Yes	If the capital structure is not reasonable for ratemaking purposes or if the utility is a division of a larger company, the capital structure would be adjusted
Louisiana	Yes	Reasonableness check
Maryland	Yes	Dollar amount, usefulness, betterment of current in-place asset
Nevada	Yes	Materiality
New Jersey	Yes	Comparison of amounts requested in test year to amounts in preceding years
N. Carolina	Yes	1. The similarity of the cost to a plant asset; 2. the absolute and relative magnitude of the cost; and 3. whether the circumstances surrounding the occurrence of the cost are unusual or routine
S. Dakota	Yes	Case-by-case basis
Virginia	Yes	Materiality and type of work involved
Washington	Yes	Has not been an issue often
Connecticut	No	
District of Columbia	No	
Illinois	No	
Iowa	No	
Montana	No	
Tennessee	No	
Utah	No	
Vermont	No	

2. (Continued)

RESPONDENT	ANSWER	COMMENTS
Telecommunications		
Arizona	Yes	Materiality, reasonableness, size of the firm
Colorado	Yes	USOA
Delaware	Yes	Reasonableness check against industry standards
Georgia	Yes	Case-by-case basis
Hawaii	Yes	If the capital structure is not reasonable for ratemaking purposes or if the utility is a division of a larger company, the capital structure would be adjusted
Louisiana	Yes	Reasonableness check
Maryland	Yes	Dollar amount, usefulness, betterment of current in-place asset
Nevada	Yes	Materiality
N. Carolina	Yes	1. The similarity of the cost to a plant asset; 2. the absolute and relative magnitude of the cost; and 3. whether the circumstances surrounding the occurrence of the cost are unusual or routine
S. Dakota	Yes	Case-by-Case basis
Tennessee	Yes	FCC guidelines are used to determine whether an expensed item is greater than allowed and whether an item is a retirement unit
Washington	Yes	Has not been an issue often
Connecticut	No	
Illinois	No	
Iowa	No	
Montana	No	
Nebraska	No	FCC Part 32 rules adhered to if company is at variance
New Jersey	No	FCC guidelines followed
Pennsylvania	No	Companies must follow the FCC USOA in recording all transactions irrespective of an individual item's materiality under generally accepted accounting principles
Utah	No	
Vermont	No	
Virginia	No	

2. (Continued)

RESPONDENT	YES	REASON
Water and Wastewater		
Alisal Water Co.	Yes	At the time of a general rate case the California Public Utilities Commission checks thresholds for reasonableness and consistency of application. The CPUC expects companies to use common sense and follow good accounting practices
Arizona	Yes	Materiality, reasonableness, size of the firm
Colorado	Yes	USOA
Delaware	Yes	Reasonableness check against industry standards
Georgia	Yes	Case-by-case basis
Hawaii	Yes	If the capital structure is not reasonable for ratemaking purposes or if the utility is a division of a larger company, the capital structure would be adjusted
Louisiana	Yes	Reasonableness check
Maryland	Yes	Dollar amount, usefulness, betterment of current in-place asset
Nevada	Yes	Materiality
N. Carolina	Yes	Materiality and the effect on rates
Pennsylvania	Yes	Materiality and whether it extends asset life
Virginia	Yes	Materiality and type of work involved
Washington	Yes	Has not been an issue often
Connecticut	No	
Illinois	No	
Iowa	No	
Florida	No	
Montana	No	
New Jersey	No	
Tennessee	No	
Utah	No	
Vermont	No	
Other		
N. J.-Cable TV	No	FCC guidelines followed
Wash.-Solid Waste	Yes	Has not been an issue often

3. Have there been any problems with current thresholds for the capitalization of assets in different industries? If so, please identify the problem(s).

REASSESSMENT	HIGH	LOW	ADDITIONAL	OTHER
Electric				
Colorado	No	No	No	
Florida	No	No	No	
Georgia	No	No	No	
Illinois	No	No	No	
Indiana	No	No	No	
Iowa	No	No	No	
Louisiana	No	No	No	
Montana	No	No	No	
Nevada	No	No	No	
New Mexico	No	No	No	
Pennsylvania	No	No	No	
Tennessee	No	No	No	
Utah	No	No	No	
Vermont	No	No	No	
Washington	No	No	No	
Arizona	No	No	Yes	Company's capitalization policy may be unwritten and/or vague
Maryland	Yes	Yes	No	
N. Carolina	No	No	Yes	Certain utilities have attempted to defer or capitalize nonplant costs that were insubstantial and/or routine
Virginia	No	Yes	No	Items expensed that should be capitalized
Wisconsin	No	Yes	No	

3. (Continued)

Gas				
Colorado	No	No	No	
Florida	No	No	No	
Georgia	No	No	No	
Illinois	No	No	No	
Indiana	No	No	No	
Iowa	No	No	No	
Louisiana	No	No	No	
Montana	No	No	No	
Nevada	No	No	No	
New Mexico	No	No	No	
N. Carolina	No	No	No	
Pennsylvania	No	No	No	
Tennessee	No	No	No	
Utah	No	No	No	
Vermont	No	No	No	
Washington	No	No	No	
Wisconsin	No	No	No	
Arizona	No	No	Yes	Company's capitalization policy may be unwritten and/or vague
Maryland	Yes	Yes	No	
Virginia	No	Yes	No	Items expensed that should be capitalized

3. (Continued)

RESPONDENT	FCC THRESHOLD	FCC POLICY	CAPITALIZATION	OTHER
Telecommunications				
Colorado	No	No	No	
Georgia	No	No	No	
Illinois	No	No	No	
Indiana	No	No	No	
Iowa	No	No	No	
Louisiana	No	No	No	
Montana	No	No	No	
New Mexico	No	No	No	
Nevada	No	No	No	Problem with software costs
N. Carolina	No	No	No	
Pennsylvania	No	No	No	The threshold is not the problem. Some small companies do not understand the difference between an expense and a capital expenditure
S. Dakota	No	No	No	Reasonable adherence to FCC threshold is a problem
Utah	No	No	No	
Vermont	No	No	No	
Washington	No	No	No	
Arizona	No	No	Yes	Company's capitalization policy may be unwritten and/or vague
Florida	No	Yes	No	
Maryland	Yes	No	No	
Tennessee	No	Yes	No	
Virginia	No	Yes	No	
Wisconsin	No	Yes	No	

3. (Continued)

Water and Wastewater				
Alisal Water Co.	No	No	No	
Colorado	No	No	No	
Georgia	No	No	No	
Illinois	No	No	No	
Iowa	No	No	No	
Louisiana	No	No	No	
Montana	No	No	No	
Nevada	No	No	No	
New Mexico	No	No	No	
Pennsylvania	No	No	No	The threshold is not the problem. Some small companies do not understand the difference between an expense and a capital expenditure
Tennessee	No	No	No	
Utah	No	No	No	
Vermont	No	No	No	
Virginia	No	No	No	
Washington	No	No	No	
Wisconsin	No	No	No	
Arizona	No	No	Yes	Company's capitalization policy may be unwritten and/or vague
Florida	No	No	Yes	
Indiana	No	No	Yes	Although arbitrary, not aware that it causes any problems
Maryland	No	No	Yes	Smaller utilities tend to expense instead of capitalize
N. Carolina	Yes	No	No	Operating ratio companies expense most costs

4. Have companies bundled or unbundled expenditures in order to circumvent the thresholds?
If so, please explain.

RESPONDENT	YES/NO	COMMENTS
Alisal Water Co.	No	No knowledge of this and it is unlikely in the water and wastewater industry because: a) the nature of water and sewer plant additions does not lend itself to unbundling b) there is no threat of direct competition c) utilities on 3 year rate case cycles, removing incentives to shift costs improperly from one period to another.
Colorado	No	
Connecticut	No	
Delaware	No	
Florida	No	Where a dollar threshold is imposed by Rule, the threshold applies to a single item of plant and not to the total of a group of such items purchased in one order
Iowa	No	
Louisiana	No	Not to our knowledge
Maryland	No	
Nevada	No	No specific incident has been identified by Staff
New Mexico	No	No evidence of circumvention
N. Carolina	No	Not to our knowledge
Pennsylvania	No	Not in the water and telecommunications industries
Utah	No	
Virginia	No	Not aware of this, but given the current regulatory environment for telephone companies, staff does not audit each company's booking of expenses
Washington	No	Not been noted in any proceedings
Wisconsin	No	Not to our knowledge
Arizona	Yes	Companies have bundled and unbundled expenditures, but more for ease of recordkeeping than circumventing thresholds.
Indiana	Yes	Example: one item may cost less than \$500, but the aggregate of like items could not be more than \$500
Tennessee	Yes	When renovations are made, large single dollar purchases of furniture and fixtures are expensed. The rationale given is that no single piece costs more than \$500. We disagree. We treat wholesale replacements of furniture & fixtures as a transaction that requires a retirement from property records and a new entity be capitalized
New Jersey	N/A	In Cable Division, FCC methodology is not cost based, but based on benchmark rates

5. Describe the criteria important in determining an appropriate capitalization threshold.

State/Company	Criteria
Alisal Water Co.	Ease of recordkeeping; consistency of application from period to period; conformity with IRS rules for simplicity; and comparability with other companies within the same industry
Arizona	Materiality; reasonableness; recordkeeping requirements; cost vs. benefits; and size of the firm
Colorado	USOA
Delaware	Relative importance of the asset to daily operations; longevity of the asset; and dollar value of the asset
Florida	Extension of the life of the asset vs. simply providing that the asset will attain its normal life; dollar amount that will shift from capital to expense and the impact on Return on Equity; the effect on depreciation expense; and whether the purchase is for items high in volume and low in unit cost
Georgia	Use and life
Indiana	Expected life of the asset
Iowa	N/A
Louisiana	Reasonableness
Maryland	Dollar amount; useful life; betterment of current in-place asset
Nebraska	The ease in determining the likelihood of providing future economic benefits to ratepayers as well as providing an accurate accounting for identification and retirement of property record units property record units
Nevada	Materiality and service life. Materiality is the important factor
New Jersey	The level of dollars to be expended; each utility's ability to expend the dollars involved; current level of service rates and the impact on rates of instituting, maintaining or revising threshold; need for the project (elec.); amount, materiality and life of item (gas); and the effects the threshold would leave upon utility's financial integrity and ratepayers (water)
New Mexico	No established criteria
N. Carolina	Percentage and dollar amount of transactions falling below the proposed threshold that would be capitalized if analyzed on a transaction-by-transaction basis; volume of transactions; size of account; size of company; and impact on rates
Pennsylvania	Materiality in relation to overall plant investment and whether the item extends the life of the asset beyond three years
S. Dakota	Dollar amount and utilization
Tennessee	Whether the asset will provide a benefit beyond the current accounting period, generally one year; can asset be classified as a retirement unit; and resources required to account for items
Utah	Type of expenditure; dollar level; and certainty that future benefits will be realized
Virginia	Materiality; type of work order or expense; and size of company
Washington	Materiality; and costs vs. benefits (where thresholds are appropriate)
Wisconsin	Cost of recordkeeping; and effects of threshold on customer rates

6. If a threshold is changed or established, should it be a set dollar amount or based on materiality (a percentage of plant or earnings)? What threshold would you recommend?

RESPONDENT	THRESHOLD	RECOMMENDED THRESHOLD
Electric		
Arizona	Amount	\$1,000 - require written policy
Delaware	Amount	
Florida	Amount	\$1,000
Georgia	Amount	Set amount based on use of item
Indiana	Amount	\$500
N. Carolina	Amount	
Oklahoma	Amount	
Tennessee	Amount	
Utah	Amount	
Wisconsin	Amount	\$1,000-\$2,000
Colorado	Other	Follow USOA
Louisiana	Other	Case-by-case basis
Maryland	Other	Case-by-case basis
New Mexico	Other	Case-by-case based on extension of life of asset or periods of benefit.
S. Dakota	Other	Case-by-case basis
Washington	Other	Case-by-case based on materiality and practicality where a set threshold is appropriate
New Jersey	Percent	Based on materiality
Virginia	Percent	Variable
Gas		
Arizona	Amount	\$1,000 - require written policy
Delaware	Amount	
Florida	Amount	\$1,000
Georgia	Amount	Set amount based on use of item
Indiana	Amount	\$500
N. Carolina	Amount	
Oklahoma	Amount	
Tennessee	Amount	
Utah	Amount	
Wisconsin	Amount	\$1,000-\$2,000
Colorado	Other	Follow USOA
Louisiana	Other	Case-by-case basis
Maryland	Other	Case-by-case basis
New Mexico	Other	Case-by-case based on extension of life of asset or periods of benefit.
S. Dakota	Other	Case-by-case basis
Washington	Other	Case-by-case based on materiality threshold is appropriate
Virginia	Percent	Variable

6. (Continued)

Telecommunications		
Arizona	Amount	\$1,000 - require written policy
Delaware	Amount	
Florida	Amount	\$1,000
Georgia	Amount	Set amount based on use of item
Indiana	Amount	\$2,000
Nebraska	Amount	\$500
New Jersey	Amount	\$500
N. Carolina	Amount	
Oklahoma	Amount	
Tennessee	Amount	\$5,000 for companies with revenues > \$100 M \$500 for companies with revenues < \$100 M
Utah	Amount	
Wisconsin	Amount	\$1,000-\$2,000
Colorado	Other	(Follow USOA)
Louisiana	Other	Case-by-case basis
Maryland	Other	Case-by-case basis
Nevada	Other	(Materiality is set by FCC and followed by Nevada PSC)
New Mexico	Other	Case-by-case basis, based on extension of life of asset or periods of benefit
S. Dakota	Other	Case-by-case basis
Washington	Other	Case-by-case based on materiality and practicality where where a set threshold is appropriate
Pennsylvania	Percent	Variable
Virginia	Percent	Variable

6. (Continued)

RESPONDENT	APPROXIMATE PERCENT	APPROXIMATE THRESHOLD
Water and Wastewater		
Alisal Water Co.	Amount	\$250, with smaller utilities authorized to go lower
Arizona	Amount	\$500 - require written policy
Delaware	Amount	
Georgia	Amount	Set amount based on use of item
Indiana	Amount	\$500-\$1,000
Oklahoma	Amount	
Tennessee	Amount	
Utah	Amount	
Wisconsin	Amount	\$1,000-\$2,000
Colorado	Other	Follow USOA
Louisiana	Other	Case-by-case basis
Maryland	Other	Case-by-case basis
New Jersey	Other	Case-by-case based on earnings
New Mexico	Other	Case-by-case basis, based on extension of life of asset or periods of benefit.
N. Carolina	Other	Case-by-case basis for small companies to ensure affordable rates for the ratepayers
Pennsylvania	Other	Case-by-case based on materiality
Virginia	Other	Percent for large companies Amount for small companies
Washington	Other	Case-by-case based on materiality
Florida	Percent	Variable

7. Would your recommendation change based on the size of the company (large vs small)?
Please explain.

RECOMMENDATION		
Amount*		
Arizona	No	The threshold we recommend would be small enough to avoid bumping into a materiality problem
Florida	No	Except for water and wastewater, size does not make a difference
Georgia	No	
Indiana	Maybe	
Nebraska	No	The amount is set at a neutral level so as to prevent administrative burdens on companies in accounting for large volumes of relatively low cost purchases. The amount is not so high as to improperly expense purchases which may be rendering future useful service support for ratepayers
N. Carolina	Yes	The dollar amount may vary among companies (implied materiality), but remain constant within a company
Oklahoma	Maybe	Not normally
Tennessee	Yes	Similar accounting treatments for dissimilar sized companies may result in an undue burden of resources
Utah	Yes	Size does make a difference
Wisconsin	No	No, but the capitalization policy should allow smaller utilities to elect a lower threshold
Other*		
Alisal Water Co.	Yes	For water and wastewater, smaller companies can use a lower limit if they desire
Colorado	N/A	The USOA would be followed
Louisiana	No	
Maryland	Yes	Because of materiality issue
Nevada	Yes	
S. Dakota	No	Case-by-case basis
Washington	No	While the size of the company may impact an individual item, it may have less impact when similar items are taken as a whole. However, costs and benefits may be impacted by the complexity of the accounting system
Percent*		
New Jersey	Yes	A firm threshold would never work in water because of the drastic differences in company size. A threshold range may work in the electric industry
Virginia	Yes	The same percentage may not be appropriate for all companies

*Categorized by responses to question six.

8. Describe the costs and benefits of changing or establishing thresholds for capitalization of assets as recommended in question six.

RESPONDENT	COSTS	BENEFITS
Electric		
Arizona	Computer costs	Uniformity and company planning
Florida	Increased recordkeeping costs; software costs; potential IRS problems because of tracking differences; and detrimental impact on earnings if not flowed through to rates	Administrative cost savings
N. Carolina	Higher threshold results in higher rates over the short term and lower precision and accuracy	Ease of application with a specific dollar amount; higher threshold results in lower rates over the long term & lower costs of recordkeeping; a uniform threshold in better comparisons among companies
Oklahoma		Number of assets/purchase anticipated on an annual basis
S. Dakota	Potential arbitrariness and mismatching	Elimination of uncertainty
Utah	Unknown	Unknown
Virginia		The elimination of points of contention between the companies and staff
Wisconsin		Simplification of recording procedures and reduced costs without materially affecting rates
Gas		
Arizona	Computer costs	Uniformity and company planning
Florida	Increased recordkeeping costs; software costs; potential IRS problems because of tracking differences; and detrimental impact on earnings if not flowed through to rates	Administrative cost savings
N. Carolina	Higher threshold results in higher rates over the short term and lower precision and accuracy	Ease of application with a specific dollar amount; higher threshold results in lower rates over the long term & lower costs of recordkeeping; a uniform threshold results in better comparisons among companies
Oklahoma		Number of assets/purchase anticipated on an annual basis
S. Dakota	Potential arbitrariness and mismatching	Elimination of uncertainty
Utah	Unknown	Unknown
Virginia		The elimination of points of contention between the companies and staff
Wisconsin		Simplification of recording procedures and reduced costs without materially affecting rates

8. (Continued)

Telecommunications		
Arizona	Computer costs	Uniformity and company planning
Florida	Increased recordkeeping costs, increased software costs, potential IRS problems because of tracking differences, and a detrimental impact on earnings if not flowed through to rates	Administrative cost savings
Nevada	[If limits are high] variance in expense levels during test periods may need normalization which adds to uncertainty in setting rates. But if capitalized, the customers would pay carrying costs over time if limits are low	
N. Carolina	Higher threshold results in higher rates over the short term and lower precision and accuracy	Ease of application with a specific dollar amount; higher threshold results in lower rates over the long term & lower costs of recordkeeping; a uniform threshold results in better comparisons among companies
Oklahoma		Number of assets/purchase anticipated on an annual basis
Pennsylvania	Low threshold could result in excessive costs; maintaining a diminimus asset; a high threshold would distort a small utility's expense claim	A possible benefit would be an increased rate base
S. Dakota	Potential arbitrariness and mismatching	Elimination of uncertainty
Tennessee	Loss of CPR detail at low capitalization levels	Fewer resources expended to maintain property records; a capitalization threshold more consistent with other industries
Utah	Unknown	Unknown
Virginia	Companies might have to individually petition the FCC to change depreciation rates like when the threshold was raised from \$200 to \$500 in 1988	Basing the threshold on a percent of plant or earnings would allow large companies to expense immaterial items which are currently being capitalized. \$500 may be too low for a company with operating expenses > \$1 billion
Wisconsin		Simplification of recording procedures and reduced costs without materially affecting rates

8. (Continued)

RESPONDENT	COMMENTS	REMARKS
Water and Wastewater		
Alisal Water	(A fixed threshold is of little benefit for water and sewer. Thresholds are rarely updated and eventually become too low)	
Arizona	Computer costs	Uniformity and company planning
Florida	Increased recordkeeping costs, increased software costs, potential IRS problems because of tracking differences, and a detrimental impact on earnings if not flowed through to rates	Administrative cost savings
Indiana	Increased expenses initially	Less time needed for approval of assets
New Jersey	Costs of rulemaking	
N. Carolina	Higher threshold results in higher rates over the short term and lower precision and accuracy; and rates that may be initially unaffordable	Ease of application with a specific dollar amount; higher threshold results in lower rates over the long term & lower costs of recordkeeping; a uniform threshold results in better comparisons among companies
Oklahoma		Number of assets/purchase anticipated on an annual basis
Pennsylvania	Low threshold could result in excessive costs; maintaining a diminimus asset; a high threshold would distort a small utility's expense claim	A possible benefit would be an increased rate base
Utah	Unknown	Unknown
Virginia	N/A (Most do not make major improvements and rate base is very small or negative because the capital is contributed)	
Wisconsin		Simplification of recording procedures and reduced costs without materially affecting rates

9. What costs should be included in the amount to be capitalized?

RESPONSE	SAVED CONTRACT	PROPERTY COSTS	PROPERTY COSTS	PROPERTY COSTS	PROPERTY COSTS	PROPERTY COSTS
Alisal Water	No	Yes	Some	Yes	No	(Water & sewer)
Arizona	No	Yes	Yes	Yes	Yes	
Connecticut	Yes	Yes	Yes	Yes	Yes	
Delaware	Yes	Yes	Yes	Yes	Yes	
District of Columbia	No	Yes	Some	Yes	Yes	
Florida	No	Yes	No	Yes	No	
Georgia	No	Yes	Yes	Yes	No	
Hawaii						(Follow NARUC)
Illinois						(Follow NARUC)
Indiana	Yes	Yes	Yes	Yes	Yes	Materials
Maryland						(Follow USOA)
Nebraska	Yes	Yes	Yes	Yes	Yes	Transportation, permits, & insurance
Nevada	No	Yes	Yes	Yes	Yes	
N. Carolina	No	Yes	Yes	Yes	No	
Oklahoma	No	Yes	No	Yes	No	
Pennsylvania	No	Yes	Yes	Yes	Yes	
S. Dakota	No	Yes	Yes	Yes	No	
Tennessee	Yes	Yes	Yes	Yes	Yes	All costs in preparing asset for service
Utah	No	Yes	Yes	Yes	No	
Vermont	Yes	Yes	Yes	Yes	Yes	
Virginia	No	Yes	Yes	Yes	No	
Washington	Yes	Yes	Some	Yes	Maybe	
Wisconsin	No	Yes	No	Yes	No	Insurance & cost of special studies

10. The following administrative and general (overhead) costs should be capitalized:

RESPONDENT	ADMINISTRATIVE EXPENSES	GENERAL EXPENSES	DEPRECIATION	REPAIRS	REMARKS (COMMENTS)
Alisal Water Co.	Yes	Yes	Yes	Yes	(Optional for small water companies with less sophisticated accounting)
Arizona	No	No	Yes	No	
Connecticut	Yes	Yes	Yes	Yes	Direct costs
Delaware	Yes	Yes	Yes	Yes	
District of Columbia	Yes	Yes	Yes	Yes	
Florida	No	No	Yes	No	SAB regarding capitalization of overheads
Georgia	No	Yes	Yes	No	
Hawaii	No	No	No	No	(Follow NARUC)
Illinois					(On the basis of the amounts of such overheads reasonably applicable. Special studies should be made periodically of the time that supervisory employees devote to construction activities)
Indiana	Yes	Yes	Yes	Yes	Clerical, labor, & engineering
Maryland					(Follow USOA)
Nebraska	No	Yes	Yes	Yes	
Nevada	No	No	Yes	No	
N. Carolina	Yes	Yes	Yes	Yes	
Oklahoma	Yes	Yes	Yes	Yes	Possibly vehicle or construction equipment depreciation
Pennsylvania	Yes	Yes	Yes	Yes	(Overhead should be applied at the same rate as internal labor supplied)
S. Dakota	No	No	Yes	No	
Tennessee	Yes	Yes	Yes	Yes	All cost in preparing an asset for service
Utah	No	No	Yes	No	
Virginia	Yes	Yes	Yes	Yes	Clerical
Washington	Yes	Yes	Yes	Yes	
Wisconsin	No	Yes	Yes	Yes	